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# **Breaking-out? A reconceptualisation of the business development process through diversification: the case of Polish new migrant entrepreneurs in Glasgow**

**Paul Lassalle**

Ph.D., Lecturer at the Hunter Centre for Entrepreneurship, University of Strathclyde, UK

Strathclyde Business School, University of Strathclyde, Sir William Duncan Building, Glasgow, G4 0QU, UK

Email: [paul.lassalle@strath.ac.uk](mailto:paul.lassalle@strath.ac.uk)

**Jonathan M Scott**

Ph.D., Associate Professor in International Business and Economics, Northumbria University, UK

**Abstract:** This paper examines the business development process of twenty Polish new migrant entrepreneurs in Glasgow, Scotland. Based on a qualitative analysis of their business development activities – including how they broadened their market and product or services offerings – it unveils the incremental nature of this process as a route to break out from the saturated, hypercompetitive ethnic niche market. We, therefore, contribute to debates on breakout strategies to new markets and networks, and on barriers to new migrant entrepreneurs' growth by reconceptualising new migrant entrepreneurs' business development process. To achieve this aim, we propose a novel *diversification process* theoretical framework to analyse their business development process and specific activities.

**Keywords:** new migrant entrepreneurs, ethnic market, breakout strategies, diversification process, Polish migrants in the UK.

## **Introduction**

Recently arrived Central and Eastern European migrants engaging in entrepreneurial activities in the United Kingdom (UK) remain relatively unexplored (notable exceptions including

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### **Corresponding author:**

Paul Lassalle, Sheffield Business School, Sheffield Hallam University, Howard Street, Sheffield S1 1WB, UK  
Email: [p.lassalle@shu.ac.uk](mailto:p.lassalle@shu.ac.uk)

Vershinina et al. 2011; Lever and Milbourne 2014; Knight 2015; Edwards et al. 2016). A focus on new migrant entrepreneurs would complement studies on recent Polish migration in the UK (Garapich 2008; Ryan et al. 2008; White and Ryan 2008; Drinkwater et al. 2009; Ryan 2011) for two reasons. First, further development of migrant businesses (not just *growth*) – referred to as breakout strategies (Jones et al. 2000; Engelen 2001; Smallbone et al. 2005; Rusinovic 2008a; Smallbone et al. 2010; Wang and Altinay 2012) is a research gap. Second, it informs the provision of adequate policy support to new migrant entrepreneurs (Högberg et al. 2016). The mixed embeddedness perspective has attracted substantial attention in respect of understanding migrant entrepreneurship within their ethnic community context (Kloosterman and Rath 2001; Jones et al. 2014) and constitutes an overarching approach to contextualise this research. This paper builds on a qualitative data set of Polish new migrant entrepreneurs in Glasgow to theorise and model their business development strategies and activities.

Since Poland acceded to the European Union (EU) in 2004, deeply embedded Polish migrant communities have formed in many major cities and towns (Garapich 2008; Ryan et al. 2008). While we still await clarification of the outcome of negotiations with regard to the rights of current and future EU migrants in the UK, this migrant population is visible and has played an important role in local economies (e.g. filling certain job vacancies). For example, in the City of Glasgow, whence we source our empirical data, the Polish migrant population was recently re-estimated at 10,000 (Krausova and Vargas-Silva 2013). Furthermore, Polish migrants who stay in the UK can more easily integrate than non-whites, with entrepreneurship being a means to integrate into the host society and to enable social mobility (Ryan et al. 2008). New migrant entrepreneurs lack access to formal sources of finance and support and rely on a co-ethnic community primary market. Conversely, they are not dependent on co-ethnic support and advice as are established minority entrepreneurs because of mistrust of other Poles (White and Ryan 2008; Lassalle et al. 2011) and of formal institutions (Welter and Smallbone 2006).

The paper's primary contribution is a reconceptualisation of migrant entrepreneurs' business development process, specifically addressing breakout strategies. By adopting a more strategic lens, as in previous studies of ethnic entrepreneurship such as Zhou (2004), or earlier by Ward and Jenkins (1984), our argument complements Kloosterman's (2010) integrative framework of entrepreneurial opportunities and outcomes from a mixed embeddedness perspective. Following Engelen's (2001) criticisms of past conceptualisation of breakout strategies, we thus offer the *diversification process* as a novel contribution. Since the concept has (surprisingly) been so far too narrowly defined and most authors have neglected the broadening of product and services offerings (in addition to the widely studied broadening of clientele), therefore, we propose a model of diversification in the context of new migrant entrepreneurs that addresses this missing aspect. Our proposed model builds on extant typologies of ethnic/migrant entrepreneurs (notably Zhou 2004; Rusinovic 2008a) emphasising the processual and incremental nature of diversification, considering the mixed embeddedness of migrant entrepreneurs within their broader spatial, social and institutional contexts. It draws attention to the potential of ethnic niche markets to enhance the entrepreneurial performance of the first generation of migrants based on an analysis of empirical data collected among Polish new migrant entrepreneurs (a new population and new community due to demographic change) in Glasgow (and thus a new context for research). Previous authors (for example; Dana and Morris 2007) have conceptualised migrant and ethnic entrepreneurs in sophisticated models or frameworks. We propose an incremental diversification process model for these new migrant entrepreneurs<sup>i</sup> and offer policy implications in terms of supporting new migrant entrepreneurs' diversification strategies (with or without breakout) relating to access to wider networks (locally), marketing and language support and access to suppliers and distributors.

This paper is structured as follows. First, we critically review both the relevant literature that is both general (ethnic/new migrant entrepreneurs) and specific (the business development

strategies of Polish new migrant entrepreneurs). We then provide a justification of the chosen methodology, sample and methods of data collection and analysis. Next we focus the findings primarily on initial co-ethnic market start-up activities and on market broadening strategies of our participants. In the subsequent section we discuss the novel theoretical contribution of this paper, presented as part of the *diversification process* model. We conclude the paper with a future research agenda and implications for policymakers and practitioners.

## **Theoretical Background**

### *The niche market of ethnic entrepreneurs and breakout*

Critical labour market barriers, access to resources from various sources, and targeted clientele (Ley 2006; Deakins et al. 2009; Kitching et al. 2009) characterise ethnic and/or migrant entrepreneurs' distinctiveness from other host-country entrepreneurs (Engelen 2001; Rusinovic 2008a, 2008b; Deakins et al. 2009). The role of co-ethnics is critical (Light and Bonacich 1991; Waldinger 1993; Dana 1997; Zhou 2004; Deakins et al. 2005; Dana and Morris 2007; Light and Dana 2013; Stoyanov et al. forthcoming), particularly as they are targeted as clients and enable access to resources (Light 1984; Ward and Jenkins 1984; Portes 1998; Davidsson and Honig 2003; Deakins et al. 2007; Sepulveda et al. 2011; Rumbaut and Portes 2014). Indeed, most (but not all) ethnic entrepreneurs do not access resources through formal sources of support and advice (Smallbone et al. 2003; Deakins et al. 2005). In the context of migrant entrepreneurs' mixed embeddedness in their migrant community and in the host country's institutional/legal environment, co-ethnic market targeting is a common and predominant strategy (Jones et al. 2000; Kloosterman and Rath 2001; Rusinovic 2008a; Kloosterman 2010; Edwards et al. 2016). Rusinovic (2008a) – cf, *inter alia*, Zhou (2004) – proposes a market-oriented typology: comprising *ethnic-market entrepreneurs* (providing ethnic products to the community-based market) and *niche-market entrepreneurs* (providing mainstream products to

the community-based market), as displayed in Figure 1. Since not necessarily a viable strategy, future business development, namely so-called breaking-out – or breakout – strategies into the mainstream market (Engelen 2001; Ram et al. 2003) are achieved by the second generation of ethnic entrepreneurs (Rusinovic 2008a). Niche markets, where communities with limited growth potential are considered to be the primary market (although challenged by Engelen 2001; Werbner 2001), necessitates breakout to mainstream markets or act as *middlemen* by serving the mainstream market with ethnic products (Dana 1997; Zhou 2004; Rusinovic 2006, 2008a).

#### **INSERT FIGURE 1 HERE**

Direct breakout into the mainstream market (Jones et al. 2000; Ram et al. 2003; Ram and Jones 2008; Rusinovic 2008a) corresponds to a shift from the *enclave market* and *niche-market* entrepreneur categories to *middlemen* and *mainstream entrepreneurs* (Figure 2). Rusinovic's (2008a) typology shows a shift from one category to another with a more local or mainstream clientele: in other words, broadening the clientele (ethnic>middleman and niche>mainstream: movements B and C in Figure 2). More specifically, breakout can involve access to wider (local, indigenous or mainstream) clientele (Jones et al. 2000; Smallbone et al. 2005; Rusinovic 2006, 2008a; Kitching et al. 2009), or entry to better rewarded sectors (Deakins et al. 2005; Deakins et al. 2009) achieved by subsequent generations of entrepreneurs (Rusinovic 2006). In a competitive or crowded niche (Ram et al., 2003) or saturated (Engelen 2001) market, entrepreneurs shift to more rewarding mainstream markets (Rusinovic 2008a)<sup>ii</sup>.

#### **INSERT FIGURE 2 HERE**

Barriers to breakout among ethnic entrepreneurs include marketing and cultural specificity (Smallbone et al. 2005), resource (Engelen 2001; Ram and Jones 2008; Deakins et al. 2009), networks (Kitching et al. 2009; Wang and Altinay 2012), levels of dependence (Sepulveda et al. 2011), and also types of social capital (Davidsson and Honig 2003; Deakins et al. 2007;

Light and Dana 2013; Carter et al. 2015). Debates on the enclave economy emphasise the limited size of the market targeted, which can lead to failure, struggle or the adoption of survival strategies (Wilson and Portes 1980; Ward and Jenkins 1984; Light and Bonacich 1991; Waldinger 1993; Light et al. 1994; Zhou 2004; Edwards et al. 2016). However, ethnic entrepreneurs can be successful as they expand to other markets as part of their breakout strategies (Ram et al. 2003).

#### *Towards a reconceptualisation of breakout?*

While the criticisms of previous definitions of breakout are primarily that they are too deterministic in terms of being *assimilationist* and *teleological*, Engelen (2001) criticises the previous conceptualisation of breakout and identifies three key features of breakout: aim, process and market extent. First, although breakout is caused by the limited size of the ethnic niche market, the potential of these niches should not be dismissed such that turning into a mainstream business should not be considered as an aim or end (Engelen 2001). Second, Engelen (2001) criticises the rigid path to breakout presented by Waldinger et al. (1990) and emphasises its dynamic nature. Third, he suggests that, whether ethnic versus non-ethnic or local versus regional/(inter)national, a more locally embedded dimension is introduced at the micro level, echoing Dana's (1997) call for analysis of multi-levelled embeddedness of ethnic entrepreneurship within various structures (Kloosterman and Rath 2001; Kloosterman 2010; Jones et al. 2014; Lassalle and McElwee 2016). Although the phenomenon was observed in recent research (Edwards et al. 2016), extant research has, therefore, not (possibly excepting; Basu 2011) examined and conceptualised product-oriented breakout, to which we contribute.

#### *Diversification*

Diversification has been widely addressed in the strategic management literature (Rumelt 1982; Helfat and Eisenhardt 2004; Nath et al. 2010; Hashai and Delios 2012). Surprisingly, ethnic entrepreneurship breakout research neglects the product/service dimension by focusing solely

on accessing a wider range of customers. Hence we advocate that diversification occurs where both new markets and new products or services offerings exist. The literature on breakout among migrant entrepreneurs uses the term *accessing* a new market instead of *broadening*, supporting Engelen's (2001) critique of deterministic or assimilationist views of breakout.

Additionally, Basu (2011) found evidence of a combination of product and market diversification, suggesting they: 'extend or diversify their product (or service) offering or reposition their products (or services) to meet the requirements of wider and more promising market segments' (ibid: 76). The breakout concept, therefore, needs further refinement to include product diversification as part of the incremental processual shift from limited niche markets. However, these authors focus on applying differentiation (non-financial outcomes), rather than profit, to ensure the business' future performance and survival.

## **Methodology**

Our qualitative approach draws from the analysis of organised action (AOA), adapted from its French origins (Crozier and Friedberg 1977). AOA offers qualitative data collection tools to uncover deeper understandings of respondents' perceptions of their actions within the specific contexts in which they are embedded and operate. Since (new) migrant entrepreneurship is highly contextualised, an in-depth qualitative approach such as the AOA is a relevant analytical tool in providing a rich contextual understanding of Polish new migrant entrepreneurs' actions (Leitch et al. 2010). By considering Polish new migrant entrepreneurs' (mixed) embeddedness in different contexts (e.g. social, migration, and opportunity structures), we provide an in-depth understanding of their entrepreneurial activities, including the role of the community as both a market and source of labour (Garapich 2008; Ryan et al. 2008; Ryan and Sales 2013).



An *omnivorous* approach to data collection involved observations and field notes, semi-structured interviews in Glasgow with 20 Polish new migrant entrepreneurs (defined as sole traders/owners) in 2009/2010. As initially claimed by Dana (1997) in his intersectional framework of ethnic entrepreneurship and by recent developments of the mixed embeddedness perspective, explanations of phenomenon vary across different spatial, social, and institutional environments (Kloosterman 2010; Jones et al. 2014). Therefore, we focused specifically on new migrants who arrived following Poland's 2004 EU accession who established businesses in Glasgow between 2005-2008. Utilising Polish community networks enabled a larger breadth of data to be collected, while the omnivorous approach helped deepen understanding of Polish migrant entrepreneurs' social context and capture the *richness* of their real world experience (Eisenhardt and Graebner 2007; Weick 2007). Thus, studying Polish new migrant entrepreneurs' diversification business strategies involves exploring social networks and their operating environment – echoing Kloosterman et al.'s (1999) and Kloosterman and Rath's (2001) mixed embeddedness approach, as captured by the *omnivorous* and context-rich data collection methods used in this study.

Furthermore, all interviews and discussions were (as argued by Welch and Piekkari 2006) conducted in Polish by the lead author – although not a native Polonophone – to improve data quality and to generate trust with respondents. The AOA resonates with phenomenological techniques of inquiry focusing on respondents' experiences (e.g. Kisfalvi 2002; Cope 2005) and provides interview techniques ensuring greater *depth* of data: including opening questions, a greater attention given to the respondent's account of the environment and the use of full hand-notes during the interview (see Crozier and Friedberg 1977). Data collected outside of the interview settings (for instance, hours-long conversations with the entrepreneur and his/her employees) influences the researcher's understanding of the environment, increasing data *breadth*.

Twenty participants were selected (using informal conversations with members of the community and key informants, active on-street searches, in telephone directories, Polish Internet community portals and newspapers and finally snowballing) and interviewed until data saturation occurred. Table 1 shows that they operated micro-businesses (of 1-to-9 employees as defined by the Commission of the European Communities, 2003) and concentrated in services. Most participants arrived in the UK between late 2004 and early 2005 and started their businesses in 2005-2008. Their median age was 30 years old, 14 were men and 6 women, they worked in Scotland prior to start-up, had a degree from Poland, but lacked English language skills. Indeed, most serve the Polish community-market (*enclave-market* and *niche-market* categories).

#### **INSERT TABLE 1 HERE**

#### *Data Analysis*

Abductive logic emphasises the importance of the iterative and reflective process of theorisation as a recursive process between data and literature, also referred to as *enfolding* the literature (Eisenhardt 1989). Although the purpose of the research and design starting codes were formulated using pre-existing theories and concepts, theories and models emerged from collected data (Eisenhardt and Graebner 2007) via the process of *conceptual leaping* (Klag and Langley 2013).

Participants' *diversification process* (the incremental and dynamic process of business development or indirect route to break out into the mainstream market presented in Figure 3) emerged from the iterative process of analysis of the data collected during the omnivorous fieldwork. Coding, i.e. the conceptual ordering of the data into discrete categories (Corbin and Strauss 2014), was used as an abductive, and lengthy effort embedded in the observation of data. Themes were consciously sought by reading, highlighting and grouping the data collected

into patterns of relationships, and using starting and emerging codes along the process as a basis for theorisation (Miles and Huberman 1994). The iterative nature of the process identified by Klag and Langley (2013) and Eisenhardt and Graebner (2007) requires a constant reference to the data to enable the emergence of themes. The AOA examines the interplay between the actor (here: Polish entrepreneurs) and the environment (here: the local environment, the opportunity structure, the social networks, the institutional context), as both cannot be separated (Crozier and Friedberg 1977) and, therefore, contribute to provide an in-depth understanding of migrant entrepreneurship in context. The mixed embeddedness approach introduced by Kloosterman et al. (1999) and Kloosterman and Rath (2001) resonates with contextualised views of entrepreneurship. These suggest that entrepreneurship is an interplay between structures and the entrepreneurs (Shane and Venkataraman 2000; Sarason et al. 2006; Garud et al. 2014). Indeed, Garud et al. (2014) discuss the constitutive and recursive nature of entrepreneurship and build on the structuration theory of Sarason et al. (2006), drawing on Giddens (1979), to claim that entrepreneurs articulate contexts to implement opportunities. Their ability to identify, recognise and create those opportunities is a subjective and idiosyncratic process of interpretation of the contexts by the individual (Sarason et al. 2006). As argued above, this requires an in-depth understanding of the contexts in which individual entrepreneurs are embedded. As expressed in the literature on Polish migration, the specific networks (including social networks but also migrant channels, family networks) in which post-2004 Polish migrants are embedded is a crucial part of research on this population (Garapich 2008; White and Ryan 2008; Ryan 2011).

The study's findings on specific business strategies of Polish new migrant entrepreneurs are embedded in the context-specificity of Glasgow's Polish community, and hence do not claim for empirical generalisability (Eisenhardt and Graebner 2007; Leitch et al. 2010). Nevertheless,

by formulating emergent theory from deep and broad empirical data, future research across other communities and locations can plausibly be proposed.

## **Findings**

We focus, first, on initial co-ethnic market start-up activities and, second, on the market broadening strategies of Polish entrepreneurs in Glasgow by contextualising entrepreneurial behaviour in their specific embedded contexts (time, location, social networks, and the institutional environment).

### *Starting-up in the community niche market*

#### *Ethnic-market entrepreneurs*

Previous research on breakout strategies among ethnic entrepreneurs (Engelen 2001; Werbner 2001; Ram et al. 2003; Zhou 2004; Smallbone et al. 2005; Rusinovic 2008a; Kitching et al. 2009; Ishaq et al. 2010; Kloosterman 2010; Smallbone et al. 2010) suggests that migrant entrepreneurs start up within their community niche market in a specific place (here Glasgow city) and thus belong to the aforementioned categories of *ethnic-market entrepreneurs* and *niche-market entrepreneurs*. Our participants are no exception to this common behaviour in that this niche market is made more accessible by social ties – or networks – and shared identity (Waldinger 2005) as they perceive opportunities to serve their own community because of their cultural *proximity*. Indeed, as argued elsewhere (Sepulveda et al. 2011), the community-based niche market is based on ethnic and cultural traditions (see also Dana 1997, on culture as an explanatory variable for self-employment within minority groups). Ethnic entrepreneurs are, therefore, best positioned to identify an opportunity within this niche market. Sharing a common language removes an important cultural barrier for migrant consumers since they –

and entrepreneurs more specifically – often have poor English language proficiency (as documented by White and Ryan 2008; Ryan 2011; Knight 2015; McGhee et al. 2015). They also possess a common experience of recent migration to the UK as they share similar motivations, viz economic migration, search for better *livelihood* (White 2010), and migration patterns. Additionally, they had a UK job provided in Poland by recruitment agencies, family reunion, change of their settlement objectives, and their first experience in the UK labour market, confirming studies by Garapich (2008) and Drinkwater et al. (2009). Additionally, Poles in Glasgow live in similar neighbourhoods, socialise at events and activities, seek emotional and informational support among co-ethnics (in spite of ambivalent trust), use their social networks and *ad hoc* internet social media (Glasgow24.pl, emito.net, for instance) to exchange information, post advertisements and organise events. Consequently, language barriers and cultural proximity explains their: (i) employment in low-skilled, low-paid occupations in the UK labour market prior to start-up; and (ii) decision to target their community as a market:

I could not speak English. I mean, I know a few words "Yes. Please. How are you?" [in English].

When I arrived here, I could not really speak and, you know, I meet mostly with Poles. So for the business, we sell to everyone but the clients are mostly Poles. (U. book-shop)

I speak a bit of English but basic words only. For the lessons, I use Polish. We understand each other with other Poles. There are Slovaks who take the course as well, it is fine, I speak slowly, they can understand me [laughs]. (M. driving school)

Almost all our clients are Poles. I think it is because of the language barriers. Sometimes I have to ask three or four times to understand a question with the locals. (M. Garage)

Most participants serve (almost exclusively) a co-ethnic Polish clientele. However, only one participant appeared to engage in such middlemen strategies at the start-up phase. The first market targeted by most participants was the local Polish community, even as illustrated by:

We sell for every client: Scottish, Polish, Slovaks, Czech, even Russian [...]. At the beginning, most of our clients were Poles. They know the products, we do not have to explain. But even now, I would say that a majority of our clients are Poles. (B. Delicatessen)

Overall, Polish entrepreneurs have a higher ability to spot opportunities within their community niche markets because of shared understanding of community needs, inspiring them to offer Polish-origin or traditional products that they are ready to purchase (e.g. Polish sausages, Kubuś carrot juice or Polish herring). Indeed, serving the community with ethnic products is not limited to food but also encompasses information technology (IT) (i.e. Polish software) and media (e.g. Polish books and magazines, community internet portals). Such entrepreneurs fall into the category of *enclave-market entrepreneurs* (Zhou 2004). Some Polish delicatessens' Pakistani competitors employ Polish people to sell Polish goods: hence acquiring the human capital or *knowhow* needed to access the Polish community market. However, Polish entrepreneurs have better understanding of the needs of fellow post-2004 migrants than their British (or local) competitors. That is because the former are *culturally* aware of new Polish migrants' community needs, since they share many common characteristics (as presented earlier). Moreover, due to their social networks, Poles possess better supply-chain linkages in the UK (e.g. a Polish bread warehouse in Edinburgh) or Poland (e.g. publishers).

#### *Niche-Market entrepreneurs*

While the findings related to start-up do not contradict recent studies of ethnic entrepreneurs on the prevalence of community as the primary market (Rusinovic 2008a; Kloosterman 2010; Smallbone et al. 2010), Polish entrepreneurs appear at start-up to be *niche* (-market) *entrepreneurs* (see Figure 1 and Table 1). Entrepreneurs serving the community with ethnic products (as presented above) are distinctive from those providing a mainstream service (such as car repair, printing or legal services) but they specifically aim to serve other Poles. For instance, two lawyers (L., and H.) targeted the Polish community as their (sole) market. This

can be explained by the cultural proximity between the Polish lawyer and the Polish clients and by the trust generated by this proximity and by use of the same language. Despite evidence of mistrust among Poles in the UK (White and Ryan 2008) as an heritage from the communist era (Welter 2012; Smallbone et al. 2014), social contact generates a form of confidence that is beneficial to entrepreneurial activities. The specific legal advice provided might not seem different from mainstream legal advice (e.g. car insurance, property, or criminal defence) but a local, non-Polish entrepreneur could not offer it as efficiently due to a lack of cultural proximity to the clients, who often (we emphasise again) lack English language skills. In addition, their embeddedness in Polish new migrant community networks enhances understanding of why Polish entrepreneurs target their services at the community-based niche market, such as Polish garages (e.g. M.) targeting other Poles to which they can more easily advertise through ethnic social and marketing channels.

The 11 (out of 20) participants serving – and specifically targeting – their community co-ethnic market with mainstream services are categorised within the *niche-market entrepreneur* category (Rusinovic 2008a) as displayed in Table 1. However, the niche market strategy of Polish entrepreneurs is *successful*<sup>iii</sup> and viable (implying the necessity for further research on other localities and communities) in their first generation, despite the limited size of the client base. Due to cultural proximity, shared language, and their knowledge of the client base (their understanding of the needs of the community), Polish new migrant entrepreneurs could spot viable opportunities within the niche market for ethnic and/or non-ethnic products and services. On the contrary, local non-Polish entrepreneurs (including from non-white ethnic groups) might not have been able to spot those opportunities as they lack the human and social capital required. The examples of legal advisers (L., and H.), IT support services (K., P., and S.), boxing schools (A.) and driving schools (M.) support our argument that the community-based niche market offers sufficient potential for business survivability to these Polish

entrepreneurs<sup>iv</sup>. The unexceptional example below illustrates Polish entrepreneurs' ability to identify opportunities within the community market, using their community network(s) and their knowledge of community needs. These opportunities do not seem obvious to anyone outside the community.

I do boxing, Muay Thai, Brazilian Ju-jitsu, MMA [note: Mixed Martial Arts]. All my classes are in Polish. I cannot really teach in English, right? Mostly Poles come and a few other Eastern Europeans; Russian, Czech. But most of them are Poles. [...] I was following classes here and I thought that I could do the same. I posted on emitto. Some guys wanted to do it. I advertised the class on the web. For example on emitto, and people were asking questions about the class and showing interest. Emitto. Emitto.pl I think [note: emitto.net]. Well I advertised about the class I was giving for the other school and people were interested. Many Poles are looking at emitto. I have two guys teaching other things. I teach the Muay Thai and they teach the others. There are also fitness classes for the women in the school. [smile] I am doing well now. Only a few months. (A. boxing school)

Both cultural proximity (helping to generate trust) and knowledge of customers' needs are crucial to understand how the participants could identify opportunities within the community niche market. Despite evidence of some limited growth potential in a number of cases (following Engelen 2001), the potential of the community-based niche market should not be dismissed. In fact, Polish entrepreneurs recognise additional opportunities for further business development within their community-based niche market.

#### *Diversification: broadening the offering of product and services*

In common with many migrant entrepreneurs from other communities (Rusinovic 2008a; Deakins et al. 2009; Kloosterman 2010), the Polish community market in Glasgow is limited by the size of its population of about 10,000 Poles (Krausova and Vargas-Silva 2013) impacting negatively on individual businesses' growth potential. The participants have access to a limited



market from the outset because they lack both English skills and knowledge of the institutional and market conditions (apart from within their community market), which is still evident even a few years after start-up. One can expect that they would impede business development. Nevertheless, we provide evidence of: (i) diversification among Polish entrepreneurs, and (ii) alternative routes to overcome barriers to further business performance and survival. First, as documented in the literature, new migrant entrepreneurs engage in *broadening of the client base* to access more profitable markets beyond the community-based niche markets (Rusinovic 2008a) or *enclave* (in the sense of Waldinger 1993; Zhou 2004) to ensure business survival (Smallbone et al. 2010; Shinnar et al. 2011; Wang and Altinay 2012). They hence try to access a broader client base by advertising to locals (i.e. British customers from the neighbourhood):

We are trying to reach more and more locals with the advertising, the flyers. I have my neighbours. They are locals [note: Scots]. They helped me with the flyer, the translation etc. Really, they helped me with the language. Now I can distribute these flyers in the neighbourhood, in the next blocs. I hope I can attract more locals. (M. Garage)

Second, another identified form of diversification among participants neglected by the previous literature is that they follow alternative routes to business development and survival. As well as broadening their client base by trying to reach mainstream clients (which has been extensively researched), they also *broaden their product and services offering* to the Polish community (Table 2). Indeed, they diversify their offering within the community-based niche market but do not shift to *mainstream* or *middlemen* categories; rather, they remain within the boundary of the ethnic market. Participants operate this diversification of products and services by introducing non-ethnic product and services to their offering to Polish clients viz:

Mainly we sell Polish software. Most Poles here want a Polish version of Microsoft office. [pause] But we also give some help. [Researcher: what do you mean?]

Some people started to ask us for support. I mean, they are not familiar with technology. Some more old school Poles. And they do not speak English. Who can they ask? So they phone me or come here and ask

me for help. Basically, what I do is that we take an appointment. Sometimes it is quite late. I have my phone with me, they know my number, they can contact me and then I go to their flat and install the internet broadband or windows on their computer. I do this often now. (K. IT)

This entrepreneur now provides an extended range of mainstream services to the community based on accumulated knowledge of the (co-ethnic) customer base in Glasgow, due to their embeddedness in community networks and within the broader local institutional context. K. is thus offering non-ethnic services to the community (setting up broadband connections, etc.) in addition to ethnic products (Polish software). Likewise, the following entrepreneur is diversifying her offering of services mainly aimed at the community market:

We want to grow. You see [the next room]. At the moment, we cannot use it but I have a plan for it. We are going to open a beauty salon. [Researcher: when?]

In a few weeks' time. We just need to decorate the room. I have all the beauty treatments...we already offer some beauty services in the salon; we do nails, eyebrow, masks, but this would be a separate room with more space for the client to relax. (M. hairdresser)

M., mostly serving Polish customers (niche-market entrepreneur), is nevertheless broadening her service offering to customers to ensure business survivability. Despite evidence of diversification, she would still be classified within the *niche-market entrepreneur* category.

#### **INSERT TABLE 2 HERE**

Table 2 indicates that Polish entrepreneurs identify and exploit opportunities within the community-based niche market for further business development, recognising additional opportunities to develop their business due to their cultural proximity with clients but also because of their embedded social networks. Since they mostly socialise with fellow Poles (mainly post-2004 migrants), they better understand the needs of their community niche market, not only at start-up but also in their later lifecycle. As demonstrated below, this understanding can be incremental:

For example, if they are asking for some help. When they are buying, they want everything from Poland, the salt, and the sugar. Some of them want everything from Poland. I have to buy for the clients although it does not make any difference to me whether the sugar comes from Poland or from Scotland. Some clients are helping me with the orders because they can tell me what they want. (M. Delicatessen)

The process of broadening the product and services offering is both undocumented and incremental, i.e. relying on idiosyncratic perception of the opportunities available within the community-based niche market that can be associated with a form of *entrepreneurial bricolage* (Baker and Nelson 2005; Desa and Basu 2013). Our Polish new migrant entrepreneurs neither utilise business plans nor conduct benchmarking activities to support their strategies because they are embedded in Polish community networks: a crucial factor in understanding their entrepreneurial behaviour:

I am always on emito. We talk about different things; sports, events, etc. The people react and ask questions about what I do. [Because] I also help for the language. Some of my clients do not only ask me about their PC but also about the children, letters, and paperwork. (S. IT)

S. is highly educated, is proficient both in English (a rare characteristic among post-2004 Polish migrants) and in IT. His target market is the Polish community-based niche market which is sufficient to ensure business survivability and income generation for him and his partner, supporting the argument that the potential of the community-based market should not be dismissed and is not always a choice *by default* (Engelen 2001). Despite the demographic limitations of a Polish community-based market in Glasgow, most participants considered their choice to establish a business to be successful on account of how to identify opportunities within the community-based niche market and to recognise opportunities for business development by broadening their product and services offering to the community as an alternative mode or route (to the broadening of the client base). Indeed, this broadening of products and services takes different forms: some entrepreneurs offer a wider variety of products (mostly Delicatessen: B. and M.), a wider variety of services (e.g. the boxing school,

garages obtaining accreditation to organise vehicle roadworthiness tests, hairdressers adding beauty services to their offering), or adding services to their product offering (e.g. S., IT shop) as indicated by Table 2. Finally, some entrepreneurs decided to internalise some sourcing and transport activities from Poland (e.g. the delicatessen owner B. created his own supply network to manage supplies directly from Poland without using intermediaries in Scotland. He also set up direct links with transport companies from Szczecin).

In one sense, the above strategies of diversification are similar to those pursued by mainstream indigenous businesses. However, this phenomenon occurs within the community-based market, which constitutes a specific market segment in which the entrepreneurs and the clients are embedded in similar social networks, share similar culture (and language) and often similar migration experiences.

As presented above, the findings highlight the broadening of products and services as a complementary route to further business development, in contrasting to previous conceptualisation of breakout strategies. This novel empirical evidence contributes to debates on diversification strategies pursued by migrant entrepreneurs. The shift from *enclave-market* to *middlemen* and from *niche-market* to *mainstream* has been documented (see Figure 2) but only among the second generation of ethnic entrepreneurs (Rusinovic 2008a). However, the present research emphasises the importance of strategic *shifts* –in Rusinovic's (2008a) terms – within the community-based markets categories of *enclave-market* and *niche-market* entrepreneurs among new migrant entrepreneurs.

## **Discussion**

The empirical evidence above contributes novel conceptual insights into the incremental broadening process of the (ethnic and non-ethnic) product and service offerings and demonstrates how this process is a crucial (although incremental) strategic move by which

migrant entrepreneurs can optimise the survivability of their business(es). The terminology developed here, following Zhou (2004) and Rusinovic (2008a) and presented in Figure 1, complements Kloosterman's (2010) framework of growth potential in opportunity structures, and helps us to categorise ethnic entrepreneurs according to both the market served and the (ethnic or non-ethnic) nature of the products or services offered. Breakout has been debated in the ethnic entrepreneurship literature with attention given to the rationales for, and the barriers to, achieving these strategies (Engelen 2001; Ram et al. 2003; Smallbone et al. 2005; Kloosterman 2010; Basu 2011). Rusinovic (2008a) identified a shift from serving co-ethnics to serving mainstream customers among second generation ethnic entrepreneurs (movements B and C in Figure 2). Nevertheless, we suggest that the process is incremental, occurring in the first generation, even in the first few years of the business lifecycle, with participants who established a business in 2006-2008 diversifying as early as 2008 (Table 2). Hence to capture the incremental and processual nature of the phenomenon, we propose the concept of the *diversification process* (Figure 3). Indeed, our participants accumulate knowledge of the market served over time and when serving the Polish community, facilitating this understanding by shared belonging to their local social networks whether direct contacts or via Internet portals. By proposing the *diversification process* in lieu of more direct *breakout* places more emphasis on the processual and the incremental (i.e. unplanned and *ad hoc*) nature of new migrant entrepreneurs' business strategies. In addition, since the process occurs even among new (first generation) migrant entrepreneurs, the term *breakout* appears to be too sharp to characterise an incremental and incomplete process of diversification.

In addition, following Engelen's (2001) argument, we claim that *breaking out* or shifting to the mainstream entrepreneur category is not an aim – nor indeed an end – since they can be successful in exploiting opportunities within the community-based market (Basu 2011).

**INSERT FIGURE 3 HERE**

Moreover, the *diversification process* can be extended beyond merely considering accessing customers outside of the Polish migrant community market since, as well as broadening the market base, the diversification process encompasses strategies of broadening the product offering within the existing community market targeted. So far, empirical evidence on Polish new migrant entrepreneurs in Glasgow highlights their ability to start-up as niche-entrepreneurs but also to augment their offering to Poles (or fellow Central and Eastern European) clientele with *non-ethnic* services (movement A in Figure 3). This novel finding constitutes the main contribution of the paper by complementing previous debate on accessing or breaking-out to more rewarding markets (Smallbone et al. 2005; Rusinovic 2008a; Kloosterman 2010) as displayed previously in Figure 2. The model proposes the shift from *enclave-market entrepreneur* to *niche-market entrepreneur* as a strategy pursued by ethnic entrepreneurs to overcome constraints of their limited community-based market.

Indeed, this shift (movement A in Figure 3) is achieved by introducing a wider range of service offerings (e.g. a beauty salon added to a hairdresser shop, IT support provided in addition to other services, or a wider range of classes available in a boxing school) in the market that they have already targeted. The interviewed Polish new migrant entrepreneurs recognised opportunities for business development within the community-based market. Once again (as at the start-up stage of the lifecycle), shared knowledge through socialisation with fellow Polish migrants and cultural proximity facilitated the recognition and exploitation of business opportunities within their community-based market.

Enclave-market entrepreneurs more visibly extend the enclave (Figure 3) by diversifying their product or service offering for the community-based market. As such, they are markedly different from the previous as they do not incorporate non-ethnic products (mostly services) within their offering but instead broaden their offering of ethnic products to the community-based market (hence they still belong to the *enclave-market entrepreneur* category). As argued

earlier, they need to ensure the sustainability of their business in a highly saturated or hypercompetitive environment (Ram et al. 2003; Kloosterman 2010) and identified opportunities for diversification within the community niche market. Hence we found that they chose a viable, growth-oriented *enclave-market entrepreneur* strategy (serving the community-based market with ethnic products). However, further longitudinal research is required to analyse the effect on the second generation of Glasgow's Polish migrant entrepreneurs. Evidence from several successful businesses (for instance, the Delicatessen) demonstrates the potential of the enclave (see Engelen 2001). Their product diversification is incremental, relying on an understanding of community needs acquired through their mixed embeddedness in their social networks and the institutional context, whilst their activity is still bounded by co-ethnicity and local community networks.

## **Conclusion**

We analysed the specific business development activities of Polish new migrant entrepreneurs in Glasgow at later stages of their business lifecycles to contextualise their experience (Cope 2005) as migrants who faced labour market disadvantage. We focused on further business development, i.e. breakout strategies (Jones et al. 2000; Engelen 2001; Smallbone et al. 2005; Rusinovic 2008a; Wang and Altinay 2012), utilising the original qualitative analysis of organised action approach.

The rich contextual understanding and insight in our analysis stem from the *omnivorous* data collection approach and draws from recent developments of the mixed embeddedness approach in the field (Kloosterman 2010; Jones et al. 2014; Edwards et al. 2016), subsequently leading to the theorisation of the proposed *diversification process*. The process by which Polish new migrant entrepreneurs are broadening their market base (product and services offerings) based on new empirical evidence (movement A, and *extending the enclave* as modelled and

theorised in the proposed *diversification process* Figure 3) constitutes our study's main novel insight. This proposed model captures the incremental, processual nature of the phenomenon of the first generation and complements Rusinovic's (2006, 2008a) *shifts* observed among the second generation of ethnic entrepreneurs (presented in Figure 2; integrated as part of Figure 3). However, the *diversification process* as an alternative conceptual proposition to direct breakout strategies (for which we did not find empirical evidence) highlights the importance of broadening the service and product offering even among newly arrived migrant entrepreneurs<sup>v</sup>, who successfully exploit opportunities within the community-based market.

This paper enhances and refines our understanding of the business development activities undertaken by Polish new migrant entrepreneurs to ensure survivability of their business and to achieve growth. It also informs policymakers about the challenges faced by other ethnic entrepreneurs to raise the resources (including financial capital, bridging social capital, marketing capabilities, and human capital) required to break out from community-based niche markets. Access to support and finance are limited by the Polish migrant entrepreneurs' lack of awareness, understanding, language skills, and of access to wider social and business networks to access a wider set of resources outside of their *clusters* (Waldinger 2005; Carter et al. 2015).

This paper contributes to ethnic entrepreneurship research by emphasising the way in which the definition of breakout has been too narrowly defined by the literature. It, therefore, proposes future research to consider the incremental nature of the process of broadening market base, as well as the importance of broadening of the product or services offering as a route to break out from the saturated, hypercompetitive ethnic niche market. It adds to our understanding of ethnic entrepreneurs' breakout strategies within the different social and institutional contexts in which those entrepreneurs operate (Engelen 2001; Kloosterman and Rath 2001). Hence it contributes to debates on breaking out to new markets and networks, and on barriers ethnic entrepreneurs'



business development, proposing the *diversification process* as a useful theoretical framework to analyse ethnic entrepreneurs' business development activities. By considering entrepreneurship from a mixed embeddedness perspective, and in the light of recent recommendations by Carter et al. (2015) or Högberg et al. (2016), understanding the *diversification process* among different migrant or ethnic minority groups can inform policy-makers and business support professionals about this stage in new migrant entrepreneurs' business life-cycles. Further, in the context of uncertainty provoked by the Brexit process, this research stresses key issues of integration of migrants within the UK society. This paper hopes to stimulate further research on migrant entrepreneurs' entrepreneurial strategies within other new communities and in other locations, as well as comparative studies across generations to investigate the second stage of the *diversification process* (especially movements C and D in Figure 3) among ethnic entrepreneurs.

## Notes

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<sup>i</sup> In this paper, we use the *term ethnic entrepreneur* to refer to the general population (first or second generation), whereas the data collected specifically focus on the new migrant entrepreneurs of the first generation.

<sup>ii</sup> Kloosterman (2010) augments Waldinger et al. (1990) by distinguishing dead-end and promising sectors; and considering the level of human capital available to migrant entrepreneurs.

<sup>iii</sup> In the sense of *satisfactory* in participants' words. Satisfaction includes elements of lifestyle, stability, job satisfaction, and income generation.

<sup>iv</sup> All participants had a job in the UK prior to starting-up.

<sup>v</sup> Given the lack of time hindsight regarding the sample studied, the movement D is hypothesised.